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### Australia's Agricultural Competitiveness Green Paper

**Report Categories:**

Agricultural Situation

Agriculture in the Economy

Agriculture in the News

Trade Policy Monitoring

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**Report Highlights:**

Australian policies on agriculture are currently being reviewed by the federal government and a White Paper is set for completion in 2015 in order to provide a new policy platform for the sector. An *Issues paper* and an [Agricultural Competitiveness Green Paper](#) have already been released. The Green Paper is the Government's assessment of opportunities for improving agricultural competitiveness and provides an overview of policy options in a range of areas such as foreign investment, drought, biosecurity and education and training. There were over 700 submissions on the review from farmers, industry, business and the community to the Green Paper. A White Paper will now be prepared for release in 2015 and [submissions](#) from interested stakeholders can be made to the Agricultural Competitiveness Taskforce. Individuals and organizations are encouraged to comment on the Green Paper by making submissions before 5 pm December 12<sup>th</sup> (9 am EST December 13<sup>th</sup>). The report considers Australian agriculture and the key issues discussed in the policy review.

## BACKGROUND

Australian policies on agriculture are currently being reviewed by the federal government and a White Paper is set for completion in 2015 in order to provide a new policy platform for the sector. To prepare for this process, an *Issues paper* and an [Agricultural Competitiveness Green Paper](#) have already been released. The Green Paper is the Government's assessment of opportunities for improving agricultural competitiveness and considers policy options in a range of areas such as foreign investment, drought, biosecurity and education and training. There were over 700 submissions on the Green Paper review from farmers, industry, business and the community. A White Paper will now be prepared for release in 2015 and [submissions](#) from interested stakeholders can be made to the Agricultural Competitiveness Taskforce. Individuals and organizations are encouraged to comment on the Green Paper by making submissions before 5 pm December 12<sup>th</sup> (9 am EST December 13<sup>th</sup>). Submissions can be made online at: [www.agriculturalcompetitiveness.dpmc.gov.au](http://www.agriculturalcompetitiveness.dpmc.gov.au)

Or by mail to:       Agricultural Competitiveness Taskforce  
                          Department of the Prime Minister and Cabinet  
                          PO Box 6500  
                          CANBERRA ACT 2600  
                          AUSTRALIA

The Green Paper specifies that the government's agricultural policy objective is "to achieve a better return at the farm gate to ensure a sustainable and competitive Australian agricultural sector". Agriculture Minister Joyce has emphasized that farmers need to achieve better financial returns to ensure a sustainable and competitive agricultural sector, noting that: "Ultimately if this objective is attained then investment in Australian agriculture will follow, more export income will be earned, regional communities will be stronger, better jobs will be created and the health of our economy and nation will be strengthened." Further, the government has suggested that the agriculture is one of the five pillars of the Australian economy with enormous potential for growth, especially with the coming decline in relative importance of the mining sector.

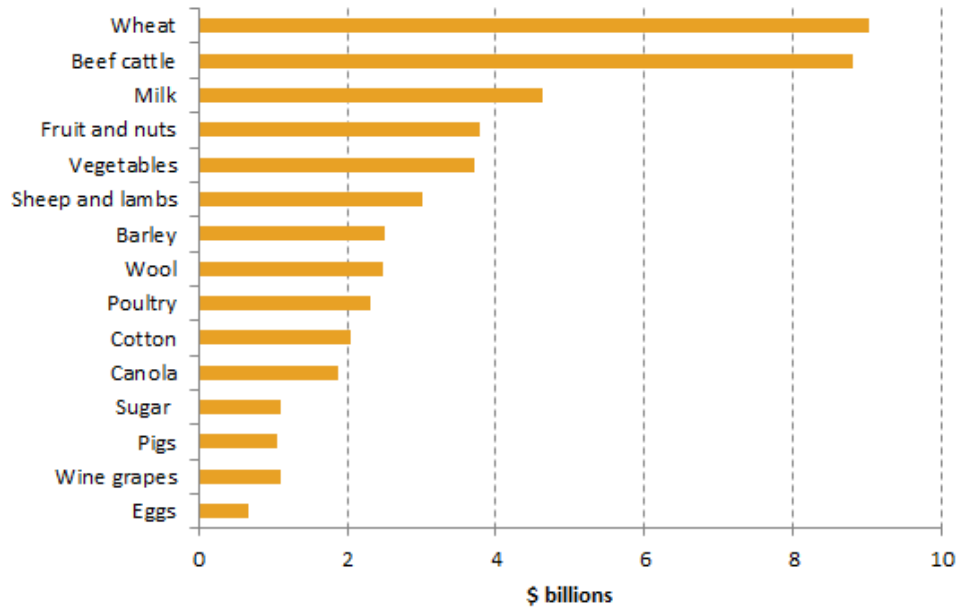
The Green Paper considers policy approaches infrastructure, competition, regulation, foreign investment, drought, research, development, biosecurity and international markets. It reports that the competitiveness of Australian agricultural export industries has been tested in recent years by the high value of the Australian dollar, which was driven by the mining boom. Key policy ideas listed in the Green Paper include: (1) Constructing new dams and investing in national water infrastructure projects; (2) Improved transport and freight links to Australia's ports; (3) Encouraging the Commonwealth, State and Territory Governments to collaboratively identify opportunities to streamline regulations affecting rural communities and the agriculture sector; (4) Strengthening legislative and regulatory mechanisms designed to promote competition in farming and retail; (5) Establishing national agricultural tertiary centers of excellence for training and research; (6) Expanding the scope of the Foreign Ownership Register of Agricultural Land to include water resources and agribusiness firms; (7) Quarantining prime agricultural land from mining and resource extraction activity; and (8) Promoting Australian products and goods in international markets.

The Green Paper further considers nine key principles to guide the development of Commonwealth policies in the agriculture sector: (a) increased returns for farmers; (b) assisting families; (c) building infrastructure; (d) creating employment; (e) reducing regulation; (f) facilitating exports; (g) a focus on competitive advantages; (h) support for regional communities; and (i) quality and access to high-quality and affordable fresh food.

**Snapshot of Australian Agriculture**

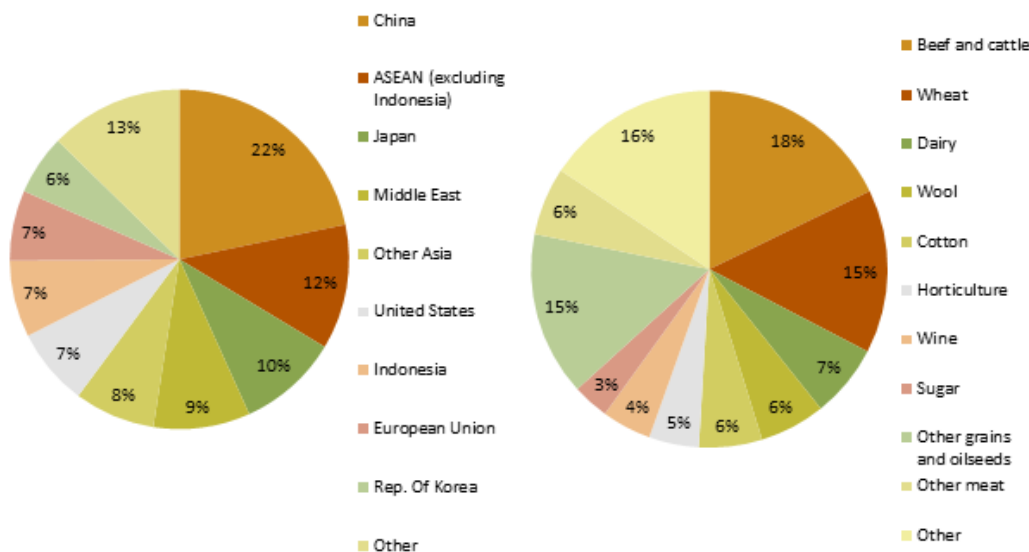
The value of Australian farm production was A\$54 billion in 2013–14 when agriculture contributed two percent of Australia’s GDP and 12 percent of total goods and services exports. The Green Paper notes that 60 percent of Australian agricultural production is exported while Australia comprises less than five percent of global agricultural production in the biggest broadacre farming sectors of beef, wheat, cotton and dairy. In Australian agriculture the top 25 percent of farms account for 54 percent of the value of broadacre output and the bottom 25 percent of farms account for only 8 percent of the output. The paper also notes that Australian agriculture sector receives less support from government than in many other countries.

**Chart 1: Value of Australian farm production, 2013–14**



Source: Green Paper on Agricultural Competitiveness (2014).

**Chart 2: Australian Commodity Exports by Country and Commodity, 2013-14**



Source: Green Paper on Agricultural Competitiveness (2014).

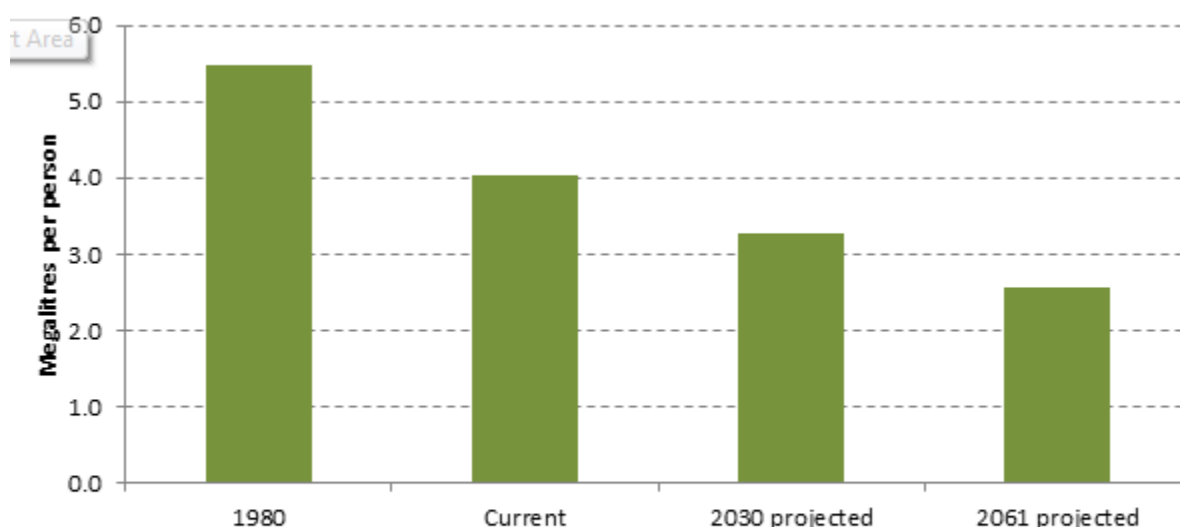
## WATER POLICY

Australian water policy has increasingly stressed the need for higher market prices to reflect scarcity of this resource. In 2012, around 60 percent of the water used in Australia was used for agriculture with the output from irrigated land accounting for 30 percent of the gross value of agricultural production ([Australian Bureau of Statistics](#), 2013). Australia's water availability varies significantly by region, with 65 percent of run-off occurring in far north Australia and coastal Queensland and only 7 percent in the Murray Darling Basin ([DAFF](#), 2012).

Access to irrigation water from bores or river systems is licensed by the State governments, which also own major water storages on rivers. Distribution of irrigation water from state owned facilities is managed by utilities which charge fees for delivery. Increased trading of water is occurring in Australia to create more efficient allocation of the resource between competing users. The Green Paper reports that water trading helped ensure that scarce water was available to higher value users in droughts in the 2000s.

Many submissions to the Green Paper raised the issue of securing water supplies for agriculture. The Australian Government will consider plans to build more dams and fund extra irrigation projects across the country. Agriculture Minister Joyce has said that the new dam projects would be paid for by a mix of private funds and government money. In October 2014, the Minister hosted a roundtable to discuss options, with 30 water projects already identified as potential areas for Commonwealth investment.

**Chart 3: Australia's water infrastructure: less fresh water per capita from large dams**



Notes: Data based on the capacity of large dams. 2030 and 2061 projections based on ABS Series C projection of a population of approximately 29 000 000 and 36 800 000 respectively. Projected megalitres per person assumes no addition to the current dam capacity. Source: Australian National Committee on Large Dam Inc. data and ABS 2013a; ABS population clock at 29 July 2013; and ABS 2013b

Source: Green Paper on Agricultural Competitiveness (2014).

The Green Paper points to the need for cost-benefit analyses of dam proposals, as major water infrastructure had long lead times and cost a lot of money to build and maintain. There are a number of criteria for government funding, including whether the project is in the national interest, has strong state or territory government support, the involvement of the private sector and a cost-benefit analysis. Agriculture Minister Joyce has noted that water infrastructure built for one industry can quickly support new industries.

Views on dam infrastructure differ. The Australian Conservation Foundation considers that any new dams should be considered with caution because of the need to preserve the natural environment. The National Farmers Federation argued that new dams and water infrastructure will be crucial to increase agricultural exports to overseas markets. The green paper identifies six irrigation projects in Tasmania and Victoria, as well as potential dams and water projects in Queensland, Western Australia, South Australia and the Northern Territory.

Queensland projects could include expanding the Burdekin Falls dam, the Fitzroy Agricultural Corridor, the Mitchell River system, the Nullinga Dam near Cairns and Urannah Dam near Collinsville. NSW has four potential projects, including an enlargement of the Lostock Dam in the Hunter Valley, the Apsley Dam at Walcha, the Mole River Dam in northern NSW and Needles Gap on the central tablelands. The Green Paper has emphasized that government funding is not guaranteed for these infrastructure projects and proposals worth A\$100 million or more must be submitted to Infrastructure Australia before being considered by government.

## **OTHER ISSUES**

### **Food security and exports**

Agriculture Minister Joyce has emphasized that Australian food production capacity is limited because of water and climate constraints and that Australia cannot become a food bowl for Asia. The Green Paper considers that Australia can help improve global food security by promoting the development of global markets and exporting technology and know-how. Currently, Australia produces food for 60 million people, but this is less than one percent of the global population as 840 million people are considered 'food insecure'.

The Green Paper notes that two thirds of Australian agricultural exports worth over A\$25 billion are exported to the Asian region, with China accounting for A\$8 billion), followed by Japan A\$4 billion. Over the decade to 2013, exports to Asia rose from 54 percent of agricultural exports to 66 percent, while China's share increased from 8 percent to 20 percent. Demand from Asia has increased because of growth in income and population growth as well as because of the spread of urbanization. The real value of food consumption in Asia is forecast to double by 2050.

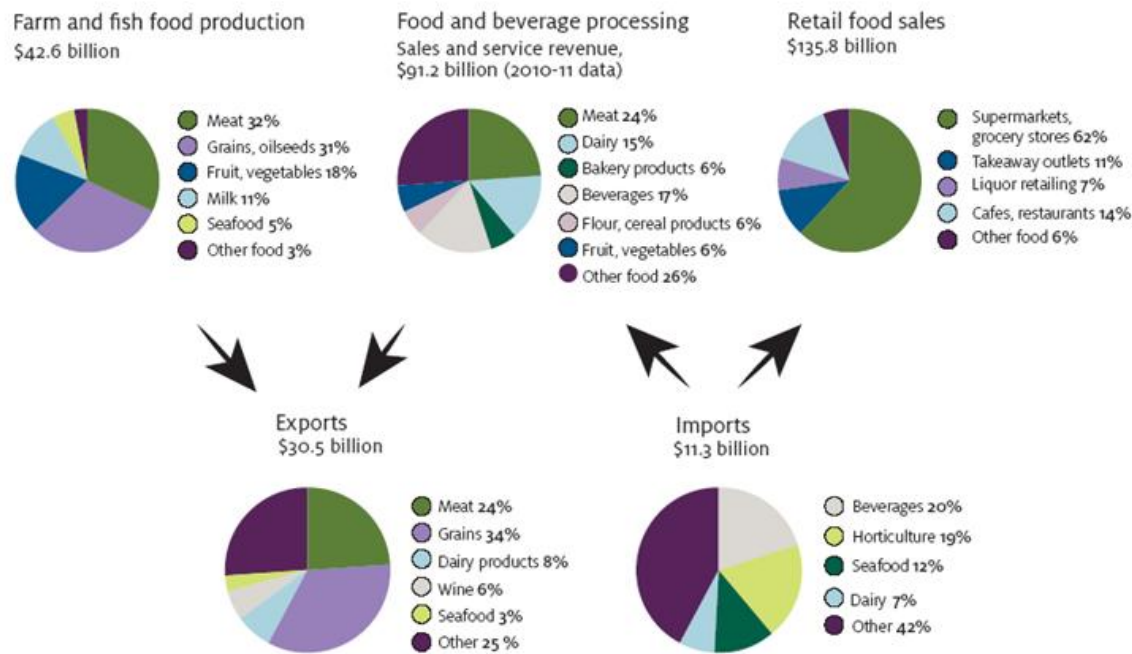
### **Competition policy in agriculture and food**

Competition policy is relevant to agriculture because of the concentration of retail power in a few supermarkets which handle a high percentage of meat, dairy, fruit, vegetables and other farm products sold in Australia. While the government has commissioned a separate review of competition policy across the economy, the Green Paper on Agricultural Competitiveness discusses problems facing agriculture from falling farmer margins and reduced bargaining power over pricing of farm products relative to retailers.

### **Research and Development**

Investment in Australian research and development (R&D) and adoption on-farm through extension (technology and innovation diffusion) contribute to the competitiveness of Australian agriculture. The Green Paper notes that total expenditure on rural R&D from all sources in 2009 was A\$1.5 billion, of which A\$500 million went to the rural research and development corporations (RDCs). These organizations are mainly funded by statutory levies on commodity production with eligible R&D matched by the federal Government up to 0.5 percent of each industry's gross value of production. While the case for increased R&D funding is not debated, the Green paper considers that biotechnology, such as genetically modified crops, can increase agricultural productivity through higher yields and lower input costs.

**Chart 4: Australia's Food Value Chain**

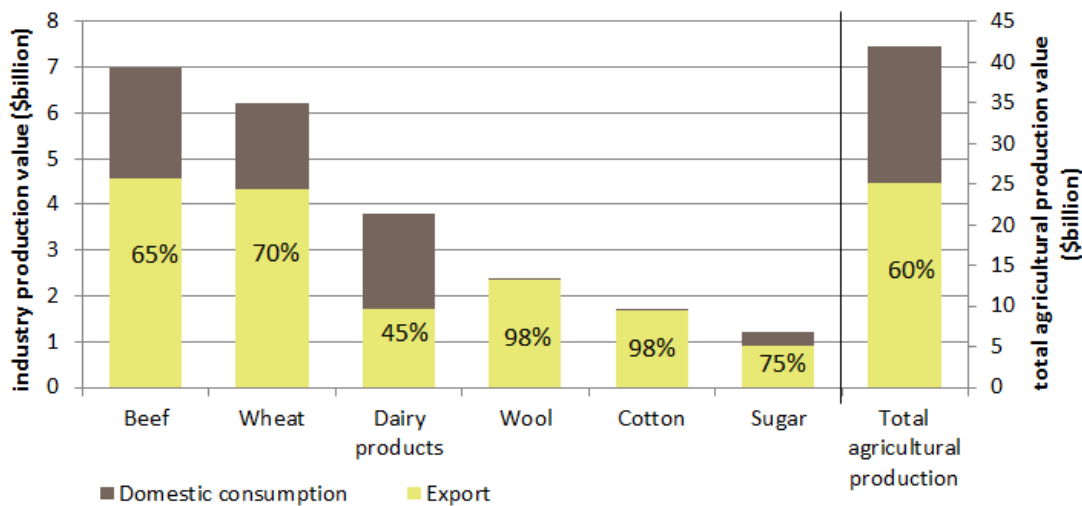


Notes: represents the value chain in 2011–12, farm value excludes non-food production.

Source: DAFF 2013b.

Source: Agricultural Competitiveness Issues Paper

**Chart 5: Share of Australian agricultural production exported**

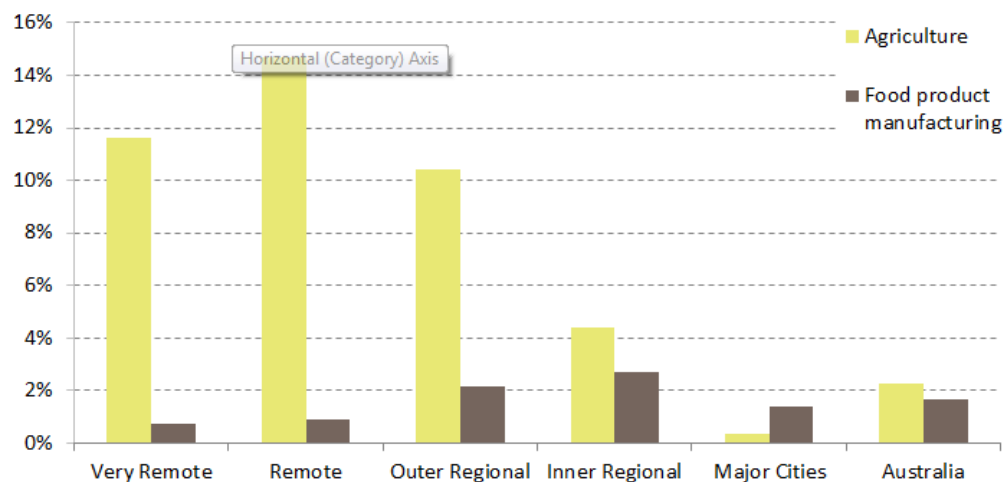


Note: Values averaged from 2009–10 to 2011–12. Exports valued at the farm gate.

Source: ABARES pers. comm.

Source: Agricultural Competitiveness Issues Paper.

**Chart 6: The share of regional employment of the agricultural sector**

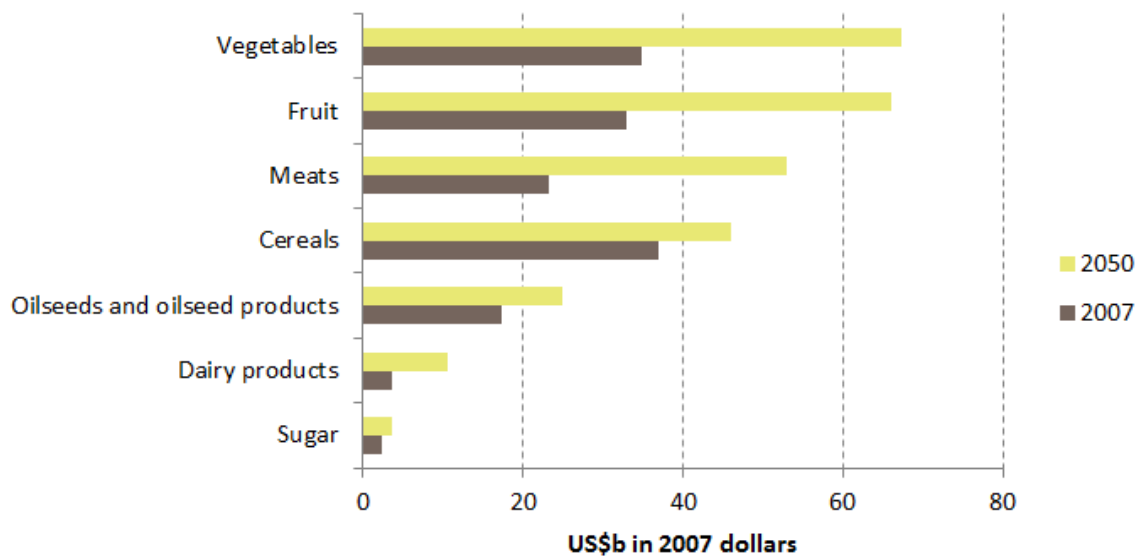


*Note:* Regional definitions are based on remoteness as defined by the ABS according to the Accessibility/Remoteness Index of Australia. Agriculture and food product manufacturing employment is based on 2 digit industry of employment classifications.

*Source:* ABS (2013d) 2011 census data

*Source: Agricultural Competitiveness Issues Paper:*

**Chart 7: Projected demand in ASEAN countries for agri-food products**



*Source:* ABARES 2013a

*Source: Agricultural Competitiveness Issues Paper,*



## Biosecurity Policy

Biosecurity policy is an important focus of the Green Paper. The paper asserts that the Australian Government is committed to maintaining a science-based biosecurity system that allocates resources based on the level of risk, that facilitates the safe movement of animals, plants, people and cargo to and from Australia, and that conforms to Australia's international obligations.

## Conclusion

The policy review process currently being undertaken will result in a White Paper on Agricultural Competitiveness in 2015 to provide a framework for future policy. While budget constraints may affect the range of policy options being considered, reducing regulation, improving R&D outcomes, better transport and water infrastructure and enhancing export orientation are likely to improve the sector's competitiveness. [Submissions](#) by both Australian and international firms and organizations can be made to the Agricultural Competitiveness Taskforce, Department of the Prime Minister and Cabinet, PO Box 6500, Canberra ACT 2600, Australia or to [submissions](#).

The Green Paper notes that reforms to transport infrastructure will involve more efficient use of railways and roads as well as port infrastructure to take agricultural produce to export markets, but private funding is needed. Further, large investments will be required in water infrastructure especially in Queensland and the Northern Territory. It argues that a lower cost regulatory environment could be expected to increase agricultural competitiveness as well as provide an incentive for greater investment in the sector, from both domestic and foreign sources.

The agricultural sector has been generally supportive of many of these reform initiatives. The federal government is currently considering future incentives for private investment in transport infrastructure and the construction of new dams. A number of these initiatives could attract foreign investment, including U.S. investment and interested firms now have an opportunity to make a submission on possible policy changes that would encourage their involvement.